



ISBN: 1646-8929

IET Working Papers Series
No. WPS13/2009

António Brandão Moniz

(e-mail: abm@fct.unl.pt)

Margarida Ramires Paulos

(e-mail: margarida.paulos@fct.unl.pt)

The clothing industry as a globalized sector:
implications for work organisation, quality of work and job content

IET
Research Centre on Enterprise and Work Innovation
Centro de Investigação em Inovação Empresarial e do Trabalho
Faculdade de Ciências e Tecnologia
Universidade Nova de Lisboa
Monte de Caparica
Portugal

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Abstract:

The clothing sector in several countries is still seen, in many aspects as a traditional sector with some average characteristics, nevertheless is a very important sector in terms of labour market. Globalization and de-localization are having a strong impact in the organisation of work and in occupational careers. Very few companies are able to keep a position in the market without changes in organisation of work and workers, founding different ways to face this reality according to size, capital and position. We could find two main paths: one where companies outsource production to another territory, close and/or dismissal the workers; other path, where companies up skilled their capacities. This paper will present some results from the European project WORKS – Work organisation and restructuring in the knowledge society (6th Framework Programme), focusing the Portuguese case studies in several clothing companies in a comparative analysis with some other European countries.

Key-Words – Clothing Industry; Restructuring; Work; Knowledge Society

JEL codes – L16; L23; L67; O33

Introduction

It is generally accepted that major restructures in the organisation of work are transformed in the context of economic globalisation and rapid technological change. But how can these changes are understood? And what are the impacts on social institutions and on workers? This paper will stress

these aspects focusing the clothing sector in Portugal in a comparative analysis with some other European countries. This investigation was made under the European project WORKS (work organisation restructuring in the knowledge society) that started in 2005 under the 6th Framework Programme, with partners in thirteen EU member States. The aim of this project is to analyse the forces that brings about these changes, including global value chain restructuring and policy environment.

The paper will present some results of the case studies conducted in Portugal in several clothing companies, observing the implications of global context, national policies, international competitiveness, to the companies and individuals. It begins with a theoretical approach where is presented the context of change and the articulation of the main concepts, followed by the empirical results of Portuguese case studies in a comparative approach.

The clothing sector in a globalized world

Work in the knowledge based society is different from work in industrial society. Companies try to cope with the requirements of knowledge society, among other things by implementing changes in the organisation of work, where spatial and/or contractual restructuring of work (value chain restructuring) takes a prominent place, affecting the nature and the quality of work. Social and labour market policies on the one hand and economic considerations on the other affect the response of companies to the pressures of knowledge society, pressures to achieve work flexibility and to intensify the use of knowledge.

Production and policy regimes mutually affect company action in relation to working conditions. Companies are forced to decide upon an efficient (and often cheaper) allocation of labour, given the strategic goals of the company (Trommel, 1995) and at the same time, however, also the institutional environment of a company structures its action. So, restructuring of work in knowledge-based society can take many forms having different consequences for individuals, companies, sectors and countries that have to respond to a diversity of opportunities and constraints emerging from the policy and economic context. The effects of globalisation are increasing, nevertheless the supply of labour is still embedded in national frameworks.

The term ‘globalisation’ is very widely used *“in a range of different contexts ranging from popular journalism and protest movements to academic discourse in economics, political science, geography and sociology”* (Huws and Ramioul, 2006:13). It have different meanings and definitions due to the context where is used, so here we will focus the aspects of globalisation which are of direct relevance to the restructuring of work in the knowledge society. Since 1980s

there has been a continuing growth in the development of a global division of labour, with industries like clothing, electronics and auto manufacture dispersing their production facilities away from developed economies to developing countries with weaker labour protection and lower labour costs. Processes of internal and external restructuring have led to decentralisation, outsourcing and networking, however they have also led to processes of concentration, consolidation and centralisation (Flecker and Kirschenhofer, 2002). Companies are in the centre of economical development of countries and regions, but are also shaped and influence by political and social environment that surround them, so their decisions, constraints and opportunities have to be analysed taking into account the different contexts in which companies move.

One of the most important changes in work organisation in the last two decades has been the increased use of flexibility to respond to new challenges brought by globalisation, international competitiveness and new technologies. The way companies find to deal with new features of markets are various and sometimes opposites. One could stress two strategic orientations of restructuring: one called by some authors 'low road', where companies strive to achieve competitiveness with cost-cutting, low salaries, weak regulation of labour market, staff reduction, using outsourcing and de-localisation of production; and another called 'high road' based in improvement of efficiency and innovation, investment on qualification and training of workers and new products or productive processes. The overwhelming majority of companies prefer the low road, while a minority of companies, although often highly successful ones, take the high road of innovation (Brödner and Latniak, 2002).

Current changes in the world of work in Europe have a significant impact on the transformation of occupational identities and forms of social integration. Global context and all its consequences have implications for companies in general and for workers in particular. Through the emergence of new and non-standard forms of work and employment, careers become increasingly de-standardised and the life course becomes less uniform and less 'pre-shaped'. In Western society where "we are what we do" and where work was always been considered central to the formation of our character and personality, this new scenario, despite providing a more dynamic economy, can affect us deeply when 'attack' the notions of permanence, trust in others, integrity and commitment, which formed the more routine work a key organizer element in the lives of individuals and their integration into the community. (Sennett, 2000).

The clothing industry is an example of an 'old' industry where restructuring of global commodity chains was already an issue in the 1970's. From early on it has been highly internationalised and characterised by highly fragmented value chains and cost-driven competition. Recently, the integration of Central and Eastern Europe production networks and the phasing out of Multi-Fibre Arrangement and the WTO Agreement on Textiles and Clothing considerably changed the trade

regimes, leading to the liberalisation of EU trade and resulted in a new wave of restructuring mainly affecting production in Southern Europe and the EC member states. The increasing reallocation and outsourcing of production to low-cost countries which often meant a vertical disintegration of the companies, the concentration process in the retail industry and the development of own labels and brands, are some of the main features of the sector that appear with globalisation.

Globalisation and de-localisation are having a strong impact in the organisation of work and in occupational careers in clothing industry. Companies have found different ways to face pressures and very few are able to keep a position in the market without changes in organisation of work and workers.

The clothing industry in Portugal: a changing path?

Clothing and textile industry are in the middle of all transformations originated by globalisation. Historically this industry have been pioneer in industrialised processes, not only because it is an activity where light investments in technology and training are possible comparatively with other sectors, but mainly because it have the capacity to employ a large number of people and where costs with workforce are determinants to its competitiveness

With production costs getting higher, because of wages and decrease of working hours, in industrialised countries since 1970's, it starts rapidly to appear a process of de-localisation of production, where companies get rid of non-competitive units and kept only departments where added value could be produced (Agis et al., 2001). Conception and design of products, industrial production of luxury products, use of more advanced technology and control of distribution and sales have been considered core activities that should be maintained in company headquarters or in developed countries, all other activities could be outsourced or de-localized to emerging economies. Europe starts to invest in differentiation factors to deal with low-costs production regions, because it can not compete with these regions if it maintains only low cost products and mass production.

In general the main trends, stresses by the majority of authors, are the concentration of units technologically advanced in a very small group of countries, the de-localisation of production with lower workforce costs to an increasing number of countries, internationalisation of labels, growing awareness of consumers of ecological problems that make them look for new ecological solutions, new demands of quality and diversity of products. One can distinguish three groups of countries in Europe¹ in what concern the clothing sector: countries with economical development centred in advanced industrial sectors, where the tertiary of traditional industries lead to the re-localisation of the productive process; countries where the traditional sectors still have an important role and where

it is possible to keep the productive process due to an investment in more dynamic factors like innovation, new technologies, design, flexibility and cooperation between companies; countries with an average level of development, with a large concentration of traditional sectors and where clothing industry use mainly outsourced workforce, facing a reduction of employment and investment in the sector.

Portugal can be included in the last group of countries, which obliges the country to abandon the processes of imitation and mass production to keep a position in the global market, and consequently substantial changes in the current business logic and strategies are needed. According to some experts², that we interviewed in the beginning of the research, it is possible to identify two types of companies in Portugal: one type with some internationalisation capacity, own labels, adding some value to the product, with R&D, controlling the whole productive process; and a second type that just produce the clothes without any other function, doesn't have own label or any added value or development of products or processes. Portuguese companies network are formed mainly by micro companies and those who have their own label are no more than one hundred.

In what concerns employment evolution in the textile and clothing sector (NACE 17+18), Portugal acknowledged a strong decrease in the period 1996-2004 of about less 15%, while there was an increase of total employment of 2.1% in the same period. This sector represented in 1996 about 6% of total employment, while in 2004 it was only 5%. *“The only country that has been able to retain a relatively high share of employment in the sector is Portugal. In 2004, still 5 per cent of the Portuguese workforce has a job in textile or clothing (254 000 employed)”* (Coppin, Geurts and Ramioul, 2007, p. 113). During these years, 44 thousand jobs were lost in the sector. The same authors continue referring that *“the figures by occupational group show that these are mainly jobs for production workers, who make up 78 per cent of the employed in the Portuguese textile and clothing industry. This 78 per cent is a considerably larger proportion than in the other EU-15 countries, where the share of production workers in textile and clothing was significantly lower already in the mid-nineties, and was further reduced between 1996 and 2004. Two thirds of Portuguese production workers are skilled craft workers (weavers, tailors, sewers, ...), one third skilled and unskilled factory workers”* (p. 119).

The case studies illustrated two different realities that can be found in Portuguese clothing companies: on one side we found ‘*Textom*’ where restructuring mainly means outsource production to other countries; and on other side ‘*WW-DK Têxteis*’, a successful company that invested in technology and new functions, even if it also outsourced some activities, and ‘*Green S.p.a*’ that only produces luxury garments, with a very stable position in the market.

a) Case study – ‘*Texitom*’

Texitom is a shirt maker company that belongs to the Group Texiz. It was created in 1985 with the purpose of selling Texiz’s leftover in the form of garments. In the late 90s the company experienced an increasing of work flow and a parallel increased of workers, and started outsourcing confection nearby to be able to answer the demands of customers. In 2002, due to decreasing of work flow *Texitom* starting to reduce the number of jobs and established a unit of manufacturing in Romania in cooperation with another Portuguese manufacturer. At the same time the company started outsourcing production to Morocco and Honduras. One year latter started the entire process of de-centralisation of production and the last manufacturing workers were dismissed in 2005. Nowadays, the company has a commercial function and controls directly all production in the different units.

In the beginning of the decade the company redefined the core business and, to balance the decrease of mass production, started working with specific niche products like organic fabrics. At the moment *Texitom* has 12 workers distributed into three areas: commercial, technical and planning, before restructuring it have 140 workers. Over 75% of workers were dismissed of their functions and only 5% were distributed to another unit of Texiz S.A.

Currently the productive process starts in Portugal with the preparation of the garment (fabrics, components) then goes to Romania, Honduras, Morocco to be confectioned, after, it comes back to Portugal to be delivered to the client. According to the company there are three features that the company must keep in mind in order to survive: quality, time and flexibility. The decision to outsource production depends on the type of shirt (classic, sport, women, children...) and also on the location of the client and taxes benefits that the company can achieve producing and exporting the product from those locations.

The management of this company didn’t change the contractual status of the workers who remained at *Texitom*, although, after restructuring the workers feel their jobs more insecure. Long-term contracts are seen by the manager as non-profitable, so if there are new contracts will be fixed-term. The re-definition of function after restructuring increased the workload and there wasn’t any compensation for it. Activities are more monotonous and individual, with just a few opportunities of training and improvement of skills.

b) Case study – ‘WW-DK Têxteis’

The company was founded in 1989 as a joint venture between Denmark and Portugal and it is a service and consultancy company within the clothing and textile industry. The main business of the company is services provision to manufacturers in the clothing industry, design and R&D, production sourcing, sampling, merchandising, lab testing, fitting and quality, control and order tracking. *WW-DK Têxteis* changed from a supplier of garments to a service provider and added different tasks to its functions. At the beginning the company was simply supplying products and co-operating with manufacturers. The main customers were supermarkets and cheaper clothing brands. During the 1990s the company entered into the high quality market and changed from a supplier of products (clothing, garments) to a supplier of services for manufacturers. To remain competitive and to become unique *WW-DK* added extra services to its functions, specially research and design.

The company's main objective is to provide services and 'solutions' to manufacturers in the clothing and textile industry. For instance, this company helps customers to find production partners that are able to guarantee a high quality, a fast delivery rhythm and low costs. Moreover, they support customers in designing collections and distributing the finished products to the stores. According to the statements of the company responsible, the most important competitive advantages are flexibility, creativity and the ability to respond very quickly to changing fashion trends and customers' demands. Workers must be able to answer within 24 hours to customer demands and requests, which implies a more flexible working time model with overtime and other flexible arrangements. The company have two competitive advantages, first in contrast with many of their competitors is not specialised in one particular market segment, and second the business concept facilitates the contact with customers that can find in one company a different kind of services that they can use.

Changing of tasks and function in the company did neither lead to a transfer of workers to units outside of the company, nor to dismissals. Adding new tasks to the functions of the company lead to an increased number of staff, in particular creative workers (such as designers). The total number of employees is twenty-four, three men and twenty-one women. In general the employees have contracts with no fixed term, which means that their jobs are quite stable. The changes in the company didn't lead to dismissals but to an extension of staff. An important fact is that restructuring and adding tasks require a different kind of knowledge, a different kind of information sources, investment in education and qualification of staff. With the re-organisation of the internal process of work, employees were forced to adapt to new formal and informal skill needs.

c) Case study – ‘*Green S.p.a*’

Green S.p.a is a productive unit of the Italian Company situated in Portugal, was found in 1987 and it is an industrial units that produces only high-quality products, luxury undergarment – lingerie, swimwear and nightdress. The productive division is mainly constituted by dressmakers, around 90% of workers, it also have a manager department and a commercial department, although those are very small with only a few workers. There are a large number of specialised workers and productive line workers and there where no dismissal or redundancies in the unit in the recent years. The majority of workers have a standard and regular contract, nevertheless the salaries still very low and tasks are very tiring, demanding and monotonous.

The number of workers, 200 out of whom women make up some 95%, has been stable in the last seven years and the unit didn’t felt any decrease in the production in recent years, especially because it a very specialised company that just produce luxury goods, hand made and with small details and artisan. The company has fought the raise of global competition with the introduction of new products between collections and also with a bigger variety of motifs and styles.

In most cases the production workers have a low education degree and also low skills. In recent years the company has implemented a training regime and every year there are different training sessions about each function and the textile sector in general.

What about Europe?

Taking into account all the other case studies realised in other European countries under WORKS project it is possible to observe some common trends:

- a) Concentration in core activities and outsource all the other functions;
- b) An increasingly relocation of production to low-cost countries;
- c) Highly fragmentation and internationalisation of the value chains;
- d) Changes in work content that become more market and cost oriented;
- e) Intensification of work and higher demands of flexibility;
- f) Increase importance of the client;
- g) Downsizing and reduction of employment

There are also some significant differences between European countries, because in clothing industry work is embedded with each country’s institutional context, and also between companies with different positions in the value chain. In Southern countries, like Portugal, production workers

have a low level of skills while in majority of other cases workers have technical and specific skills. Portuguese companies are very small in general and traditional, while other countries have invest in new technologies and new functions outside production, Portuguese clothing sector is still in a fragile position, where just a few companies are able to keep competitive changing work organisation and market strategies.

For production workers it seems that daily work routines have not changed much due to the introduction of new techniques and use of information and communication technologies. Only few workers, often those who already have a higher position, were challenged by new tasks and enjoyed corresponding training opportunities.

All companies in the European sample, in what concern production, have gone through considerable downsizing, having to deal with the overall acceleration of business activities and work flows. There is a demand for increasingly rapid responses that often results in a speeding up of work processes, in longer working hours and in high demands on temporal flexibility. In general, off shoring and relocation of the more standardised and repetitive functions rarely mean de-skilling in the studied cases. Instead, the remaining production workers' skills have been upgraded and expanded with required of new generic skills like: communication with customers, foreign language skills, and basic IT skills. In this sector qualification takes place as 'training on the job' and is received via a long work experience.

Researchers and designers have also experienced changes and new experiences related with this restructuring. There is an increase time pressure and an intensiveness of work, including shorter deadlines and rigid time spans. This has consequences for their work life balance that appears problematic, leading these workers to choose between the career or the constitution of family. The main concerns of dress designers are the limits to creativity, due to the growing pressure of market and cost reduction and also the growing standardisation supported by software tools.

Conclusions

Increasing economic pressures affects all companies and workers groups in different ways. The clothing sector, a traditional sector that uses a very intensive workforce appears to have a common trend in a way to outsource production to 'low cost' economies, keeping only core business and functions that can add some value to products. In this sense it is possible to observe an effort in some Portuguese and European companies to invest in new technologies, new products and activities in order to keep competitive. The size of the companies, the low wages and low skills characterize the Portuguese reality and are obstacle to achieve a better performance and to face the

challenges of globalisation and open competitiveness. In the last years the Portuguese clothing and textile industry is facing a crisis with numerous bankruptcies, relocations and a large number of redundancies, resulting from problems in adapting to new market conditions and from the difficulty in finding alternatives functions to the present low-cost operations.

Between 1996 and 2004 employment in clothing industry declined 32% in EU-15 and 15% in NMS. The speeding up process, the increasing time pressure, the decline of blue-collar work and employment rate are common current trends. The consequences of restructuring are different for each group of workers: dress designers feel an intensification of work, a bigger concern about the customer and a market orientation; production workers a higher level of insecurity, instability, unpredictability and a more flexible use of work time. In the sector 90 per cent of workers are women and work life balance is a difficult issue. In none of the analysed cases the firms offered special family-friendly settings.

Notes

¹ According to the report “Textile and clothing: de-localisation or re-localisation”, by Minister of Economics.

² From CITEVE (Technological Centre of Textile and Clothing Industry of Portugal) and ATP (Textile and Clothing Association of Portugal)

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Authors:

António Brandão Moniz, is associate Professor of Industrial Sociology at the Faculty of Sciences and Technology (New University of Lisbon), founding member and President of the Research Center on Enterprise and Work Innovation (IET).

E-mail addresses: abm@fct.unl.pt

Margarida Ramires Paulos, sociologist, works as a researcher at Research Center on Enterprise and Work Innovation (IET), specialising in the area of work and organisations.

E-mail addresses: margarida.paulos@fct.unl.pt

Institution:

*IET-Research Center on Enterprise and Work Innovation,
Universidade Nova de Lisboa-FCT, Portugal*